

**LOCAL COUNCIL TAX SUPPORT SCHEME 2014/15**

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr
Ward(s) Affected	All
Ward Councillor(s) Consulted	Not applicable
Key Decision / Non-Key Decision	Key Decision

**1. SUMMARY OF PROPOSALS**

- 1.1 Government changes to the benefits scheme in relation to Council Tax required the Council to introduce an annual Council Tax Support Scheme, from April 13. This scheme must be reviewed annually and any proposed changes consulted on. Where no changes are proposed the current (or default) scheme remains in place. This report summarises the results of the public consultation on options for changes to the Council's Local Council Tax Support Scheme ("the Scheme").
- 1.2 The report presents proposals for an amendment to the existing scheme. If endorsed these proposals will be subject to a further period of consultation after which a decision will be made on the implementation of changes to the current Scheme.

**2. RECOMMENDATIONS**

**The Executive Committee is asked to RESOLVE that**

- 1) the outcome of the initial statutory consultation on options for changes to the Local Council Tax Scheme, be noted;**
- 2) for the purposes of the further statutory consultation that is required, to amend the current Scheme, namely that entitlement to Council Tax support should be capped at 80% of Council Tax liability so that all working age claimants will pay a minimum of 20% towards their Council Tax Liability, and that the amended version shall become the proposed draft Scheme 2014/15;**
- 3) the Executive Director of Finance and Resources be authorised to consult on this draft Scheme;**
- 4) a report on the outcome of the further consultation be brought back to the Committee in due course for a decision on its recommendation to Council on the Scheme to be adopted from April 2014; and**
- 5) Officers be instructed to explore and report back options for a hardship fund, as well as further technical changes to Council Tax Exemptions.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 As members are aware, from April 2013 the Government replaced the national scheme of Council Tax Benefit with a scheme of Council Tax Support to be agreed locally.
- 3.2 This scheme, although agreed locally has certain requirements namely:
- Pensionable age claimants must be protected;
  - Local billing authorities are tasked with determining the extent of support for working age claimants;
  - The scheme is a discount rather than a benefit; and
  - All schemes must ensure that work incentives are enhanced.
- 3.3 The impact of the change to Council Tax Support was to reduce the tax base for the Council by the amount of any support given. This affected all organisations that raise a precept, including the Borough Council, major preceptors and the parish council. Compensation for the loss of council tax is paid for by the Government as Council Tax Support Grant to billing authorities and major preceptors but, the Grant is equivalent to around 90% of previous council tax benefit costs.
- 3.4 Prior to the Government introducing these changes the cost of council tax benefits in Redditch was around £6.5m per year. The 10% shortfall as a result of the reduction in grant towards the support scheme is around £650k and this is split between the Borough Council (including the parish council) and our major preceptors, broadly in line with the proportion of council tax levied. As a result the County Council will take the largest share of the shortfall. The cost to the Borough is in the region of £91k (14%).
- 3.5 Any reduction in council tax support will result in more council tax to collect, thus potentially increasing the administrative costs associated with recovery.
- 3.6 Also from April 2013, more discretion was given to billing authorities regarding discounts and exemptions for second and empty homes. In April 2013 the Borough Council reduced discounts on second homes from 10% to nil and reduced short term empty property exemptions from 100% to 50%. These changes are estimated to claw back in the region of £257k (£26k for RBC) of the £650k overall funding gap.
- 3.7 The adoption of the proposal to cap entitlement at 80% of the Council Tax liability would meet the remainder of the funding gap. This option was broadly supported in the consultation exercise with 67% of those who responded agreeing with a cap on entitlement.

- 3.8 The 80% cap is the only proposal that would meet the funding gap in full. None of the other proposals would meet the funding gap either on their own or in combination with other proposals. The 80% cap should also ensure that for households with the same Council Tax liability there will be an equal cut to Council Tax Support in cash terms, which makes the cap the most progressive of the three proposals for change.
- 3.9 The impact of the changes, particularly on residents who are of low income and have not previously paid Council Tax will need to be assessed and those individuals offered support and advice on managing their finances. It is hoped that with the framework of personal support that is in place as part of the transformation of the service this will mitigate the impact on residents and reduce any potential shortfalls in income recovery.
- 3.10 If changes were made to our council tax support scheme requiring all claimants to pay something towards their council tax bill, then we would want to introduce a discretionary hardship fund. There is potential funding towards a small discretionary hardship fund for a two year period if we introduce a scheme which meets the full funding gap. It is proposed that this would be targeted to those most in need. An outline scheme will be presented in January, alongside the outcome of the consultation on the scheme.
- 3.11 Introducing a cap at 90% would meet just over half of the funding gap.
- 3.12 The most popular option from the consultation (73% of responders) was the introduction of a minimum level of Council Tax support. If entitlement was below this level no support would be paid. The minimum level could be set at either £5.00 or £10.00 per week. The introduction of a minimum level of support would have failed to meet the funding gap leaving a remaining gap of £278k (£39k impact on RBC).
- 3.13 This option would also have failed to meet the Government's principles for Local Council Tax Support Schemes which requires that all schemes ensure that work incentives are enhanced. A minimum level of support would lead to 'cliff edges' whereby small increase in income can lead to large reductions in Council Tax Support. These cliff edges lead to high marginal deduction rates as people's earnings increase which can act as a disincentive to work.
- 3.14 The second most popular option in the consultation – the capping of Council Tax support for larger homes would be largely ineffective on its own in bridging the funding gap. It would leave a remaining gap of £390k (£55k impact on RBC).
- 3.15 Changes to exemptions can be made without further consultation and officers will report options for further changes to exemption in December 2103.

**Legal Implications**

- 3.16 On 1 April 2013 Council Tax Benefit was abolished and replaced by a new scheme of Council Tax support called "Council Tax Support Schemes". Under s13A and Schedule 1A of the Local Government Finance Act 1992 (inserted by s10 Local Government Act 2012), each local authority was required to make a Council Tax Support Scheme specifying the reductions which are to apply to the amounts of council tax payable.
- 3.17 Statutory Instrument 2012/2885, "The Council Tax Reduction Schemes (Prescribed Requirements)(England) Regulations 2012" ensured that certain requirements prescribed by the Government were included in each Scheme (subsequently amended by S.I. 2012/3085)
- 3.18 The Authority must make any revisions to the Scheme no later than 31 January in the financial year preceding the one when it will take effect, so that it will be necessary for the Council's 2014/15 scheme to be in place by 31<sup>st</sup> January 2014.
- 3.19 Failure to agree a new scheme would result in the current scheme continuing to apply and a subsequent funding gap would emerge for both the Borough Council and other preceptors, which could result in challenge from those organisations.

**Service / Operational Implications**

- 3.20 Income recovery and financial support officers will work to ensure that residents are supported through any changes to mitigate the impact on their own finances together with those of the Borough.
- 3.21 There may be a requirement to make changes to software however this will be dependent on the revisions to the scheme that are finally approved.
- 3.22 Consideration will need to be given as to how the discretionary assistance will be administered and at which level decisions will be made, and an outline scheme for discretionary assistance will be .

**Customer / Equalities and Diversity Implications**

- 3.23 Any changes to council tax support will only affect working age claimants, however it is important that we provide support to those most vulnerable as a result of any changes to Council Tax Support. The Council will maintain a budget which would operate on a discretionary basis to provide support, in the event that these changes are made to our Council Tax Support Scheme, for those most in need.

- 3.24 The changes will not disproportionately impact on those with special protected characteristics under the equality duty and the discretionary hardship fund will minimise any adverse impact caused.

**4. RISK MANAGEMENT**

Any changes to council tax support whilst increasing council tax income to the Council and our major preceptors will potentially have wide implications for our residents and therefore Officers will ensure that support on managing finances and advice on other potential benefits is made available. In addition the income recovery team will continue to measure the arrears position to ensure that members are aware of the impact on income collected.

**5. APPENDICES**

Appendix 1 - Consultation results

Appendix 2 – Council Tax Support – Consultation Options – Financial Data

**6. BACKGROUND PAPERS**

Held in Revenues Service

**AUTHOR OF REPORT**

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